

THE FINANCIAL SERVICES ROUNDTABLE  
*Financing America's Economy*



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**RICHARD M. WHITING**  
EXECUTIVE DIRECTOR  
AND GENERAL COUNSEL

May 4, 2011

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
Docket No. R-1401  
RIN 7100-AD61

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219  
Docket No. OCC-2010-0003

Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation 550 17th Street, NW  
Washington, DC 20429  
Attention: Comments/Legal ESS  
RIN 3064-AD70

Re: Risk-Based Capital Guidelines: Market Risk

Dear Sir or Madam:

The Financial Services Roundtable (the “Roundtable”) appreciate the opportunity to comment on the joint notice of proposed rulemaking (the “NPR”)<sup>1</sup> issued by the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”), the Office of the Comptroller of the Currency (“**OCC**”) and the Federal Deposit Insurance Corporation (together, the “**Agencies**”) to revise their market risk capital rules (the “**MRC Rules**” and, as proposed to be revised by the NPR, the “**Proposed MRC Rules**”), generally aligning them with Basel II.5.<sup>2</sup>

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<sup>1</sup> 76 Fed. Reg. 1890 (Jan. 11, 2011).

<sup>2</sup> “**Basel II**,” as used in this letter, refers to the capital framework set forth in the Basel Committee on Banking Supervision’s (“**BCBS**”) June 2006 publication, *International Convergence of Capital Measurement and Capital Standards – A Revised Framework*. “**Basel II.5**,” as used in this letter, refers to that publication as revised and updated to include the revisions to the market risk provisions in Part VI of that publication set forth in the BCBS’s June 2009 publication, *Revisions to the Basel II Market Risk Framework and Guidelines for Computing Capital for Incremental Risk in the Trading Book*, in its July 2009 publication, *Enhancements to the Basel II Framework* (the “**July 2009 Enhancements**”), and in its February 2011 publication, *Revisions to the Basel II Market Risk Framework – Updated as of 31 December 2010* (the “**February 2011 Revisions**”).

The Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs. The Roundtable understands that The Clearinghouse Association, the American Bankers Association, the Institute of International Finance, the International Swap Dealers Association, and the Securities Industry and Financial Markets Association have filed a joint comment letter with you, and the Roundtable substantially agrees with those organizations and the most of the views expressed in that letter.

Particularly, our members are concerned that the Agencies are moving on this proposal at the same time that they are awaiting the recommendations of the Basel Committee's Trading Book Group's fundamental review. Moving forward on this proposal before those recommendations are issued and acted upon unnecessarily threatens to impose on the industry two sets of system changes and attendant costs.

Our members also are concerned about the proposal's willingness to permit redundancy in risk measurement and, thus, to impose double and, in some cases, triple capital costs against a single set of risks. We have long applauded the trend of Basel capital proposals toward finer-tuning and increased accuracy of risk measurement and consequent improved efficiency of capital requirements. Double- and triple-counting of risk and double and triple capital go in the opposite direction.

We also would note that the proposal does not distinguish between modeling of corporate credit-dependent products and modeling of asset-backed securities. The former models performed much more reliably than did the latter models in the recent market turmoil, and, unless the Agencies distinguish between the two, trading of corporate credit-dependent products is likely to be discouraged.

Finally, we would urge the Agencies to avoid imposition of detailed prescriptive requirements for due diligence. The realities of trading markets requires quick decisions, which would be impeded by requirements of documentation of due diligence. Scaling due diligence requirements to anticipated holding periods is not practical, according to our members, and requiring disclosure of due diligence practices to bring market discipline is not likely to be effective as disclosures are likely to gravitate toward similarity.

The Roundtable appreciates your consideration of the views expressed in this letter. If you have any questions, please do not hesitate to contact me.

Best wishes,

A handwritten signature in black ink that reads "Richard M. Whiting". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Richard M. Whiting  
Executive Director & General Counsel